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EXTRAORDINARY PART II—Section 3—Sub-section(1) PUBLISHED BY AUTHORITY

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MINISTRY OF FINANCE (Department of Revenue)

NOTIFICATION

New Delhi, the 23rd August 1958

G.S.R. 734.—In exercise of the powers conferred by sub-section (2) of section 43 of the Life Insurance Corporation Act, 1956 (31 of 1956), the Central Government hereby directs that sections 2D, 10, 11, 13, 14, 15, 20, 21, 22, 23, 25, 27A, 28A, 35, 36, 37, 40, 40A, 40B, 43, 44, 102 to 106, 107 to 110, 111, 113, 114 and 116A of the Insurance Act, 1938 (4 of 1938), shall apply to the Life Insurance Corporation of India subject to the modifications specified herein, namely:—

1. Unless otherwise expressly provided, references to an insurer, by whatever form of words, in the sections hereby made applicable to the Life Insurance Corporation of India shall be construed as references to the Life Insurance Corporation of India.

2. In section 2D, after the words “of this Act”, the words “made applicable to the Life Insurance Corporation of India under section 43 of the Life Insurance Corporation Act, 1956,” shall be inserted. ^{31 of 1956.}

3. In section 10,—

(i) in sub-section (2), for the words “calendar year”, the words “financial year” shall be substituted;

(ii) sub-section (2A) shall be omitted.

4. In section 11,—

(i) in sub-section (1), for the words “calendar

year", the words "financial year" shall be substituted;

(ii) for sub-section (2), the following sub-section shall be substituted, namely:—

"(2) The accounts and statements referred to in sub-section (1) shall be signed by the Chairman, a managing director and two other members of the Life Insurance Corporation of India and shall be accompanied by a statement containing the names, descriptions and occupations of, and the directorships held by, the persons in charge of the management of the business during the period to which such accounts and statements refer and by a report on the affairs of the business during that period.";

(iii) sub-section (3) shall be omitted.

5. In section 13, the provisos to sub-section (1) shall be omitted.

6. In section 15,—

(i) for sub-section (2), the following sub-section shall be substituted, namely:—

"(2) Of the four copies so furnished, one shall be signed by the Chairman, a managing director and two other members of the Life Insurance Corporation of India, and one shall be signed by the auditor who made the audit or the actuary who made the valuation, as the case may be.";

(ii) sub-section (3) shall be omitted.

7. In section 20, sub-section (3) shall be omitted.

8. For section 27A, the following section shall be substituted, namely:—

Provisions
regarding
investments.

"27A. (1) The Life Insurance Corporation of India shall invest, and at all times keep invested, twenty-five per cent. of its controlled fund in Government securities and a further sum equal to not less than twenty-five per cent. of the controlled fund in Government securities or other approved securities, and shall not invest, or keep invested, any part of the balance otherwise than in any of the following approved investments, namely:—

(a) debentures or other securities for money issued with the permission of the

State Government by any municipality in a State;

(b) debentures secured by a first charge on any immovable property, plant or equipment of any company which has paid interest in full for the five years immediately preceding or for at least five out of the six or seven years immediately preceding on such or similar debentures issued by it;

(c) debentures secured by a first charge on any immovable property, plant or equipment of any company where either the book value or the market value, whichever is less, of such property, plant or equipment is more than three times the value of such debentures;

(d) cumulative preference shares of any company which has paid dividends on its equity shares for the five years immediately preceding or for at least five out of the six or seven years immediately preceding, provided such preference shares have priority in payment over all the equity shares of the company in winding up;

(e) cumulative preference shares of any company on which dividends have been paid for the five years immediately preceding or for at least five out of the six or seven years immediately preceding and which have priority in payment over all the equity shares of the company in winding up;

(f) shares of any company which have been guaranteed by another company, such other company having paid dividends on its equity shares for the five years immediately preceding or for at least five out of the six or seven years immediately preceding;

Provided that the total amount of shares of all the companies under guarantee by the guaranteeing company is not in excess of fifty per cent of the paid-up amount of preference and equity shares of the guaranteeing company;

(g) shares of any company on which dividends of not less than four per cent including bonus have been paid for the five years immediately preceding or for at least five out of the seven years immediately preceding;

(h) immovable property situated in India or in any other country where the Corporation is carrying on insurance business:

Provided that the property is free of all encumbrances;

(i) first mortgages on immovable property situated in India or in any other country where the Corporation is carrying on insurance business:

Provided that the property mortgaged is not leasehold property with an outstanding term of less than thirty years and the amount of mortgage money does not exceed fifty per cent of the value of the property;

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(j) loans to any authority or any co-operative society registered under the Co-operative Societies Act, 1912, or under any other law for the time being in force operating a housing or building scheme in India in any case where the repayment of principal and interest is guaranteed by the Central or a State Government;

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(k) first mortgages on immovable property situated in India under any housing or building scheme of a public limited company or a co-operative society registered under the Co-operative Societies Act, 1912, or under any other law for the time being in force:

Provided that the amount of mortgage money does not exceed three-fourths of the value of the property;

(l) loans on first mortgages of immovable property under any housing or building scheme of the Corporation for the benefit of the policy-holders:

Provided that the amount of the loan does not exceed three-fourths of the value of the property;

(m) loans on life interests, or on policies of life insurance within their surrender values issued by the Corporation or by an insurer, the assets and liabilities of whose controlled business have been transferred to and vested in the Corporation or loans to employees of the Corporation for the purposes of purchasing or constructing houses or for the purpose of purchasing motor cycles, motor cars or any other conveyances in accordance with any scheme approved by the Corporation;

(n) life interests;

(o) deposits with banks included for the time being in the Second Schedule to the Reserve Bank of India Act, 1934, or with co-operative societies registered under the Co-operative Societies Act, 1912, or under any other law for the time being in force, the primary object of which is to finance other co-operative societies similarly registered;

(p) debentures of, or shares in, co-operative societies registered under the Co-operative Societies Act, 1912, or under any other law for the time being in force;

(q) such other investments as the Central Government may, by notification in the Official Gazette, declare to be approved investments for the purposes of this section.

(2) Notwithstanding anything contained in sub-section (1), the Life Insurance Corporation of India may invest or keep invested any part of its controlled fund otherwise than in an approved investment, if after such investment the total amounts of all such investments do not exceed fifteen per cent of the amount of its controlled fund:

Provided that the investment is made after securing the unanimous recommendation of its Investment Committee or if no such recommendation can be obtained on a resolution of the Corporation passed by a majority of at least three-fourths of the members present at the meeting.

(3) The Corporation shall not, out of the controlled fund, invest or keep invested in the equity shares of any one company more than thirty per cent of the subscribed equity share capital of the company except with the prior permission of the Central Government:

Provided that nothing in this sub-section shall apply to any investment made by the Corporation in the equity shares of its subsidiary companies.

(4) Where an investment is in partly paid-up shares, the uncalled liability on such shares shall be added to the amount invested for the purpose of computing the percentage referred to in sub-section (3).

(5) Where new shares are issued to the existing shareholders by a company the existing shares of which are covered by clause (d) or clause (e) or clause (f) of sub-section (1) and of which

the Corporation is already a shareholder, the Corporation may subscribe to such new shares:

Provided that the proportion of new shares subscribed by it does not exceed the proportion which the paid-up amount on the shares held by it immediately before such subscription bears to the total paid-up capital of the company at the time of such subscription.

(6) If, on application made by the Corporation, the Central Government is satisfied that special grounds exist warranting such exemption, the Central Government may for such period, to such extent and in relation to such particular investments and subject to such conditions as may be specified by it in this behalf, exempt the Corporation from all or any of the provisions of sub-sections (3) and (5).

(7) The Corporation shall not out of the controlled fund invest or keep invested any sum in the shares or debentures of any private limited company except with the prior permission of the Central Government.

(8) The Central Government may, in the interests of the Corporation or its policy holders, require the Corporation not to invest its funds in any investment specified by it, or where it has any existing investment to realise them within a time to be specified.

(9) Without prejudice to the powers given to the Central Government by sub-section (8), nothing contained in this section shall be deemed to require the Corporation to realise any investment made in conformity with the provisions of sub-section (1) which after the making thereof has ceased to be an approved investment within the meaning of this section.

(10) Nothing contained in this section shall be deemed to affect in any way the manner in which any moneys relating to the provident fund of any employee or any security taken from any employee or other moneys of a like nature are required to be held by or under any Central Act, or Act of a State Legislature.

Explanation: In this section, "controlled fund" means all the funds of the Corporation appertaining to its life insurance business, capital redemption insurance business and annuity certain business, but does not include any fund or portion thereof in respect of which the Controller is satisfied that

such fund or portion thereof, as the case may be, is regulated by the law of any country outside India or in respect of which the Controller is satisfied that it would not be in the interest of the Corporation to apply the provisions of this section.”.

9. In section 28A—

(i) in sub-section (1)—

(a) for the words “beginning of the year” the words “beginning of the financial year” shall be substituted;

(b) for the words and figures “as at the 31st day of December of the preceding year” the words “as at the last day of the preceding financial year” shall be substituted.

(ii) in sub-section (2)—

(a) for the words “quarters ending on the last day of March, June, September and December” the words “half-years ending on the last day of March and September” shall be substituted;

(b) for the words “close of the quarter” the words “close of the half-year” shall be substituted.

10. In section 40B,—

(a) in sub-section (2),—

(i) for the words “calendar year” and “year”, the words “financial year” shall be substituted;

(ii) in the proviso, the words “after consultation with the Executive Committee of the Life Insurance Council constituted under section 64F” shall be omitted.

(b) in the Explanation, clause (a) and sub-clause (iii) of clause (b) shall be omitted.

11. In section 44, for the *Explanation* to sub-section (1), the following *Explanation* shall be substituted, namely:—

Explanation.—For the purposes of this sub-section,—

(i) “termination of his agreement”, in relation to an insurance agent, includes termination by reason of his death; and

(ii) service of an insurance agent under a chief agent of, or under, an insurer whose life

insurance business has been transferred to and vested in the Life Insurance Corporation of India shall be deemed to be service under the Corporation.

12. In section 102,—

(i) in sub-section (1) for the words “where the insurer is a company, any director, managing agent, manager or other officer of the company, or where the insurer is a firm, any partner of the firm”, the following shall be substituted, namely:—

“Where the insurer is the Life Insurance Corporation of India, the Chairman, any member, managing director, manager or other officer of the Corporation.”

(ii) sub-section (2) shall be omitted.

13. In section 103,—

(i) in sub-section (1), the words and figures “section 7 or section 98” shall be omitted;

(ii) sub-section (3) shall be omitted

14. In section 105, in sub-section (1),—

(i) for the words “Any director, managing agent”, the words “The chairman or any managing director or any other member” shall be substituted;

(ii) sub-section (2) shall be omitted.

B. K. KAUL, Jt Secy.